

Simpsons

Simpsons, Limited

Directors

William D. Allport
Jack C. Barrow
Thomas J. Bell, M.C.
Edgar G. Burton
G. Allan Burton, D.S.O., E.D., LL.D.
Charles L. Gundy, LL.D.
Betty Kennedy
John C. Porter
Alfred Powis
Elmer L. Rounding
Ian D. Sinclair, Q.C., LL.D.
Charles B. Stewart
James M. Tory, Q.C.
William P. Wilder

Officers

G. Allan Burton, D.S.O., E.D., LL.D. *Chairman of the Board and Chief Executive Officer*
Charles B. Stewart *President*
William D. Allport *Vice-President and Comptroller*
Edgar G. Burton *Vice-President, Toronto Area*
Ronald J. Crichton *Vice-President, Operating*
Kenneth W. Kernaghan, Q.C. *Vice-President and Secretary*
Elmer L. Rounding *Vice-President, Planning and Development*
Douglas R. Steele *Vice-President, Merchandising*
A. Ernest Wilkes *Vice-President and Treasurer*
Ian M. Gibson *Assistant Treasurer*
Ronald L. Radley *Assistant Secretary*

Head Office

The Simpson Tower, 401 Bay Street, Toronto, Ontario M5H 3K2

Transfer Agents

National Trust Company, Limited *Toronto and Montreal*
Canada Permanent Trust Company *Halifax, Winnipeg and Calgary*
The Canada Trust Company *Vancouver*

Registrars

The Royal Trust Company *Toronto and Montreal*
Canada Permanent Trust Company *Halifax, Winnipeg and Calgary*
The Canada Trust Company *Vancouver*

DIRECTORS

WILLIAM D. ALLPORT JACK C. BARROW
THOMAS J. BELL, M.C. JAMES S. BRYANT
EDGAR G. BURTON G. ALLAN BURTON, D.S.O., E.D., LL.D.
CHARLES L. GUNDY, LL.D. JOHN C. PORTER
ALFRED POWIS, LL.D. WILLIAM P. SCOTT, LL.D.
CHARLES B. STEWART ELMER L. ROUNDING
JAMES M. TORY, O.C. WILLIAM P. WILDER

OFFICERS

G. ALLAN BURTON, D.S.O., E.D., LL.D.
*Chairman of the Board and
Chief Executive Officer*
CHARLES B. STEWART
President
WILLIAM P. SCOTT, LL.D.
Vice-President
WILLIAM D. ALLPORT
Vice-President and Comptroller
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Vice-President, Montreal Area
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Vice-President, Toronto Area
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Vice-President, Operating
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Vice-President and Secretary
OLIVER B. MABEE
Vice-President, Personnel and Public Relations
ELMER L. ROUNDING
Vice-President, Planning and Development
DOUGLAS R. STEELE
Vice-President, Merchandising
A. ERNEST WILKES
Vice-President and Treasurer
IAN M. GIBSON
Assistant Treasurer
RONALD L. RADLEY
Assistant Secretary

HEAD OFFICE

THE SIMPSON TOWER
401 Bay Street, Toronto, Canada
M5H 3K2

DEPARTMENT STORES

TORONTO AREA	MONTREAL AREA
Downtown	Downtown
Yorkdale	Fairview-Pointe Claire
Cedarbrae	Les Galeries d'Anjou
Fairview	* Le Carrefour Laval
Sherway	
Brampton	HALIFAX AREA
Scarborough	Chebucto Road
* Richmond Hill	Micmac-Dartmouth
	<i>Opening in Fall 1973</i>
REGINA	OTTAWA
Downtown	Downtown
LONDON	WINDSOR
Downtown	* Devonshire Mall
	<i>* Opening in 1974</i>

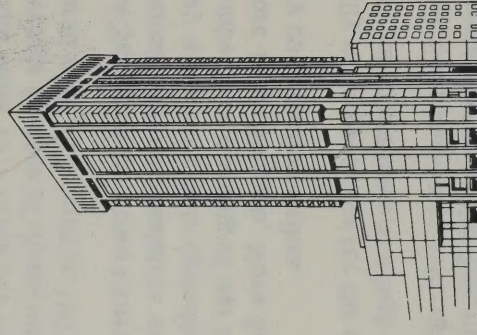
REGISTRARS

THE ROYAL TRUST COMPANY
Toronto and Montreal
CANADA PERMANENT TRUST COMPANY
Halifax, Winnipeg and Calgary
THE CANADA TRUST COMPANY
Vancouver

TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
Toronto and Montreal
CANADA PERMANENT TRUST COMPANY
Halifax, Winnipeg and Calgary
THE CANADA TRUST COMPANY
Vancouver

Simpsons
101st YEAR



INTERIM

REPORT TO SHAREHOLDERS

FOR SIX MONTHS ENDED JULY 4, 1973

SIMPSONS, LIMITED

THE SIMPSON TOWER
TORONTO, CANADA
M5H 3K2

TO THE SHAREHOLDERS:

Total sales for the first six months of 1973 exceeded \$187,200,000, or 13.8 per cent over the same period of the record and exceptional Centennial Year of 1972.

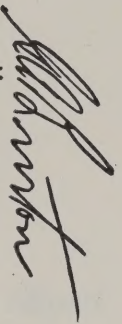
Net earnings, excluding the gain on sale of an investment last year, increased 8.9 per cent and were 13.7 cents per share on a higher average number of shares outstanding compared with 12.7 cents in 1972.

Our new Scarborough Town Centre store which opened without escalators or elevators in May will not be fully operative until this September. The opening of our Micmac Centre store in Dartmouth, Nova Scotia is delayed by construction strikes.

Generally we expect sales for the remainder of the year to continue at a high level.

This fall Simpsons-Sears will open the first of several stores in the Toronto area. These stores with Simpsons will reinforce our total market coverage and will contribute profit to Simpsons in proportion to our ownership of that company.

Both companies while being fully competitive are dedicated to quality and service. We believe our customers want full value for their money.



Chairman of the Board
and Chief Executive Officer

August 8, 1973

SIMPSONS, LIMITED AND SUBSIDIARY COMPANIES

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

Six months ended

	July 4, 1973	July 5, 1972
Net sales	\$187,262,207	\$164,565,619
Rentals and other income	1,392,087	1,223,558
Net earnings from operations, before income taxes	4,918,841	5,506,881
Federal and provincial income taxes	2,448,780	2,676,325
Equity in net earnings of Simpsons-Sears Limited:		
Dividends received	2,233,684	1,625,684
Equity in undistributed net earnings	1,662,194	1,389,406
Gain on sale of investment, net of income taxes	—	1,399,542
Net earnings	6,365,939	7,245,188
*Net earnings per share	13.7 cents	15.8 cents
*Net earnings per share, excluding gain on sale of investment	13.7 cents	12.7 cents

*Adjusted for 3 for 1 share split in May 1973

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six months ended

SOURCE OF FUNDS:

From operations:

Net earnings	6,365,939
Provision for depreciation	1,978,996
Write-off on departmental improvements	1,542,614
Amortization of debenture discount and expense	35,073
Equity in undistributed net earnings of Simpsons-Sears Limited	(1,662,194)

Non-current accounts receivable	8,260,428
Common shares issued under Employees' Stock Option Plans	220,446
Proceeds from sale of debentures	3,864,965
Investments and advances	24,794,975
Net book value of fixed assets disposals	299,783

APPLICATION OF FUNDS:

Additions to fixed assets	3,974,173
Expenditures on departmental improvements	2,357,371
Investments and advances	7,954,337
Sinking fund requirements on debentures	785,000
Dividends on common shares	4,280,166

Increase (decrease) in working capital	18,089,550
Working capital at beginning of period	115,228,375
Working capital at end of period	\$133,317,925

July 4, 1973

July 5, 1972

\$ 6,365,939

\$ 7,245,188

1,978,996

1,899,904

1,542,614

1,448,961

35,073

27,030

(1,662,194)

(1,389,406)

8,260,428

9,231,677

220,446

122,589

3,864,965

565,193

24,794,975

9,766,598

—

103,664

299,783

13,908

37,440,597

19,803,629

3,974,173

3,004,083

2,357,371

936,138

7,954,337

15,247,356

785,000

—

4,280,166

3,449,750

19,351,047

22,637,327

18,089,550

(2,833,698)

115,228,375

102,955,539

\$133,317,925

\$100,121,841

Subject to year-end audit and adjustments

Highlights

	1973	1972 (Restated)
Net sales	\$436,044,280	\$392,888,558
Earnings from operations	10,463,750	11,985,041
Equity in net earnings of Simpsons-Sears Limited	12,544,254	11,122,344
Equity in net earnings of joint venture shopping centre companies ...	565,560	510,058
Earnings before non-recurring profit	23,573,564	23,617,443
Per share	50.5¢	51.3¢
Net earnings including non-recurring profit	23,573,564	25,016,985
Per share	50.5¢	54.4¢
Dividends paid	8,970,072	7,292,138
Contributions to Simpsons Profit Sharing Retirement Fund and Canada and Quebec pension plans	2,929,715	2,900,899
Expenditures for fixed assets including departmental improvements ...	16,880,059	13,367,834
Provision for depreciation	4,074,709	3,873,035

Earnings per share are based on weighted average number of shares outstanding during the year.



G. Allan Burton
Chairman of the Board

To the Shareholders:

1973 was a growth year but one in which it was difficult to balance supply and demand due to rapidly changing world conditions.

Sales at \$436,000,000 reached a new high but earnings from operations did not keep pace with the sales increase due to many factors that were unpredictable in the early part of the year.

Several years ago the Company adopted the equity method of accounting for its 41.4% interest in Simpsons-Sears Limited. For the year 1973 this method was also adopted for its 25% to 50% ownership interests in various shopping centre companies. Net earnings including undistributed equity in these companies amounted to \$23,574,000 or 50.5¢ per share. In May the shares of the Company were split on a three for one basis and the regular quarterly dividend payable in June was increased by 20% to 5¢ per quarter or 20¢ per annum.

In accordance with the provisions of the Plan of Simpsons Profit Sharing Retirement Fund, the Company contributed the

maximum 10% of its profits before taxes amounting to \$2,929,715, divided \$1,790,681 to Simpsons Profit Sharing Retirement Fund members' accounts and \$1,139,034 to compulsory government pension plans for Simpsons employees. Members of the Fund now own 7.2% of the outstanding shares of Simpsons, Limited.

During the year the Company raised \$25,000,000 by the issue of 8³/₈% Debentures Series H. An additional \$15,000,000 9¹/₈% Debentures Series I were issued in February 1974. The proceeds of these issues were added to the working capital of the Company and were available to reimburse the Company for, or to meet anticipated capital expenditures. Our ambitious and extensive expansion programme for stores and service facilities will require a considerable amount of new capital in the next five years. We have adequate bank lines of credit to enable us to choose the most appropriate timing in raising additional sums of money at the most favourable rates and conditions.

Capital expenditures amounted to \$16,880,059 and it is estimated that \$22,000,000 will be

required this year for the completion of construction in progress including three new stores, the new 470,000 square foot heavy goods distribution centre in Toronto and normal modernization of existing facilities.

The two new stores opened during 1973, Scarborough Town Centre in the Toronto area and Micmac Shopping Centre in Dartmouth, Nova Scotia, are producing satisfactorily. Both stores were seriously delayed in opening by strikes in segments of the construction industry which added considerably to our pre-opening costs in each case. We own a 10% equity in Scarborough Town Centre and a 33 $\frac{1}{3}$ % equity in Micmac Shopping Centre. On March 28, 1974 our new 126,000 square foot store will open in Le Carrefour Laval in the north Montreal community. In August we will open a 95,000 square foot store in Hillcrest Mall, Richmond Hill, Ontario, to be followed in September by a 180,000 square foot store in Devonshire Mall, Windsor, Ontario. The latter two centres will be unique in that they will be the first centres to contain both Simpsons and Simpsons-Sears stores. The start on our

downtown Montreal expansion and development was delayed in 1973 because the opportunity presented itself to integrate the important addition to our store with a more sophisticated and complete development north of the existing store on lands presently owned by the Company. Our competitive position in Montreal will be considerably enhanced by this and other developments planned for this community.

Two vacancies have occurred recently on the Board of Directors.

J. S. Bryant, a Director and Vice-President, Montreal Area, having reached normal retirement age retired from active business and resigned from the Board of Directors in December. He was an able merchant and made a notable contribution to the Company over twenty-seven years.

W. P. Scott, a Vice-President of the Company and a Director for over twenty-three years died on January 31, 1974. Few people in Canada could equal Mr. Scott's wisdom and experience in the field of finance and merchant banking. His sound counsel and advice on all matters affecting the business of the Company will be greatly missed by his fellow Directors.

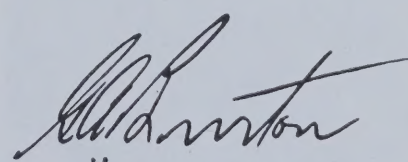
The following were appointed to the Board of Directors to fill these vacancies:

Ian D. Sinclair, Chairman of the Board, Canadian Pacific Limited, and

Betty Kennedy, Public Affairs Editor, CFRB Limited.

The Directors would like to record their appreciation to Simpsons staff for their loyalty, courtesy and efficiency which is the hallmark of Simpsons service. As a Company we are determined to maintain our traditional high standards while adapting to a rapidly changing environment.

On behalf of the Board



Chairman of the Board
March 15, 1974

President's Report



Charles B. Stewart
President

Sales for the year 1973 expanded by 11% to \$436,000,000, thereby moving ahead \$100,000,000 in just two years—\$57,691,000 in 1972, the Company's one hundredth year, and \$43,156,000 in 1973.

Despite the implementation of many efficiencies and scrupulous controls, expenses were greater than the previous year, reflecting pre-opening costs of new stores and a significant rise in interest rates, employee benefits, salaries and wages.

Intense efforts to restrain rising expense will continue through innovative cost-saving technology and advanced operating techniques. Notably towards this end, a 470,000 sq. ft. Toronto-based, highly mechanized distribution centre will become operative this year. Point-of-sale credit authorization systems, now providing substantial decreases in bad debt write-off in our Toronto, Montreal and Halifax Stores, will be extended to other Simpsons Stores in 1974.

Another portentous development in initial stages of implementation is sales terminals which, when linked to computer application, will effect improvements in inventory management and cost reductions in processing purchase orders.

1973 was an exciting year at Simpsons. Two new stores were opened—one in Scarborough Town Centre, Toronto—the other in Micmac Shopping Centre, Dartmouth, N.S.; concomitantly, extensive improvements were effected in our Toronto Downtown and Cedarbrae Stores.

Company-wide merchandising programmes were refined and strengthened—new products were added to our vast and widely

accepted ranges. A notable addition was our "Simco" brand encompassing a wide range of economy priced merchandise which, with Simpsons guarantee and services, is a strong expression of our competitive resolve.

During 1973, scores of young men and women were appointed to positions of responsibility in the Company, attesting to our preparations for the future. The expertise inherent in our management resources heighten our belief in continued, successful expansion.

While 1974 may be a somewhat difficult year, our objectives are optimistic. Three new stores will open, increasing the number of Simpsons stores from 15 to 18. We see a continuing brisk demand for our goods and services. We are confident that Simpsons people, the managers, the buyers, the innovators, in fact all of the organization's 11,000 people, will provide the skill and persistence to make it so.

I record my appreciation and respect for the dedicated work of Simpsons people in the year 1973.

A handwritten signature in dark ink, appearing to read "C.B. Stewart". The signature is fluid and stylized, with a large loop at the end.

President

Consolidated Statement of Earnings

	FISCAL YEAR ENDED	
	January 2, 1974	January 3, 1973 (Restated)
Net sales	\$436,044,280	\$392,888,558
Rentals and other income	2,878,282	2,756,728
	<u>438,922,562</u>	<u>395,645,286</u>
Deduct:		
Cost of merchandise sold and all expenses, except the items shown below	392,451,766	350,339,543
Provision for depreciation	4,074,709	3,873,035
Interest on debentures, including amortization of discount and expense	9,534,359	7,295,260
Other interest	1,708,779	1,198,482
Municipal realty and business taxes	7,389,484	7,223,026
Contribution to Simpsons Profit Sharing Retirement Fund	1,790,681	1,897,725
Contributions to Canada and Quebec pension plans	1,139,034	1,003,174
	<u>418,088,812</u>	<u>372,830,245</u>
Earnings from operations before income taxes	20,833,750	22,815,041
Provision for income taxes	10,370,000	10,830,000
Earnings from operations	<u>10,463,750</u>	<u>11,985,041</u>
Equity in net earnings of Simpsons-Sears Limited (dividends received 1973—\$5,033,684; 1972—\$3,293,052) (Note 2)	12,544,254	11,122,344
Equity in net earnings of joint venture shopping centre companies (dividends received 1973—\$500,000; 1972—nil) (Note 2)	565,560	510,058
	<u>23,573,564</u>	<u>23,617,443</u>
Earnings before extraordinary item	<u>23,573,564</u>	<u>23,617,443</u>
Non-recurring profit (Note 4)	—	1,399,542
NET EARNINGS FOR THE FISCAL YEAR	<u>\$ 23,573,564</u>	<u>\$ 25,016,985</u>
Earnings per share before extraordinary item	50.5¢	51.3¢
Net earnings per share	50.5¢	54.4¢

Consolidated Statement of Retained Earnings

Balance at beginning of year	\$161,642,460	\$144,051,595
Adjustments for cumulative effect on prior years of accounting changes applied retroactively (Note 2)	3,780,351	3,108,897
	<u>165,422,811</u>	<u>147,160,492</u>
Balance at beginning of year, as restated	165,422,811	147,160,492
Net earnings for the fiscal year	23,573,564	25,016,985
Increase in equity in Simpsons-Sears Limited on issue by that company of additional Class A shares (Note 2)	1,036,922	537,472
	<u>190,033,297</u>	<u>172,714,949</u>
Dividends on common shares (1973—19.2 cents per share; 1972—15.8 cents per share)	8,970,072	7,292,138
Balance at end of year	<u>\$181,063,225</u>	<u>\$165,422,811</u>

Consolidated Balance Sheet

Assets	AT THE FISCAL YEAR-END	
	January 2, 1974	January 3, 1973 (Restated)
CURRENT ASSETS:		
Cash	\$ 1,108,516	\$ 1,851,094
Government of Canada Bonds, at cost	73,822	44,772
Accounts receivable (Note 3)	136,733,146	125,079,455
Inventories valued at the lower of approximate cost and realizable value	66,349,615	61,121,191
Prepaid expenses	3,354,950	2,474,932
	<u>207,620,049</u>	<u>190,571,444</u>
 INVESTMENTS AND OTHER ASSETS:		
Simpsons-Sears Limited (Note 2)	104,077,586	92,726,650
Other investments and advances (Note 4)	13,980,475	11,736,311
Loans to a Trustee under Employees' Stock Purchase Plan (Note 6)	4,091,528	—
Accounts receivable (Note 3)	1,394,145	2,562,530
	<u>123,543,734</u>	<u>107,025,491</u>
 FIXED ASSETS:		
Land and buildings as appraised in 1952 with subsequent additions at cost	116,219,473	109,345,956
Equipment and fixtures, at cost	40,695,455	37,137,369
	<u>156,914,928</u>	<u>146,483,325</u>
Less—Accumulated depreciation	44,579,130	41,599,385
	<u>112,335,798</u>	<u>104,883,940</u>
Departmental improvements, at cost less amounts written off	15,170,993	13,613,758
	<u>127,506,791</u>	<u>118,497,698</u>
 UNAMORTIZED DEBENTURE DISCOUNT AND EXPENSE	1,578,382	1,488,265
	<u>\$460,248,956</u>	<u>\$417,582,898</u>

Liabilities

AT THE FISCAL YEAR-END

CURRENT LIABILITIES:

	January 2, 1974	January 3, 1973 (Restated)
Demand and short term notes	\$ 22,654,000	\$ 25,500,000
Accounts payable	30,944,992	29,201,242
Accrued wages, rent, interest, etc.	11,701,484	10,682,686
Customers' deposit accounts	1,080,224	1,105,541
Income and other taxes	4,662,907	6,947,875
Contribution payable to Simpsons Profit Sharing Retirement Fund	1,790,681	1,897,725
Principal payments on long term debt due within one year	758,000	8,000
	73,592,288	75,343,069
LONG TERM DEBT (Note 5)	141,606,000	118,487,000
DEFERRED INCOME TAXES	10,746,000	9,360,000
	225,944,288	203,190,069

Shareholders' Equity

CAPITAL STOCK:

Common shares (Note 6)—

Authorized—60,000,000 shares without nominal or par value

Issued—46,938,619 shares (January 3, 1973—46,156,233 shares)

RETAINED EARNINGS

APPRAISED VALUE OF LAND AND BUILDINGS IN EXCESS OF
DEPRECIATED BOOK VALUE ON JULY 31, 1952

36,386,818	32,115,393
181,063,225	165,422,811
16,854,625	16,854,625
234,304,668	214,392,829
\$460,248,956	\$417,582,898

APPROVED ON BEHALF OF THE BOARD

G. A. Burton
Director

C. L. Gundy
Director

Consolidated Statement of Source and Application of Funds**Source of Funds:**

	FISCAL YEAR ENDED	
	January 2, 1974	January 3, 1973 (Restated)
From current operations:		
Net earnings	\$ 23,573,564	\$ 25,016,985
Provision for depreciation	4,074,709	3,873,035
Write-off on departmental improvements	3,252,654	2,970,436
Amortization of debenture discount and expense	118,504	100,023
Deferred income taxes	1,386,000	440,000
Equity in undistributed net earnings of Simpsons-Sears Limited and joint venture shopping centre companies	(7,576,130)	(8,339,350)
	24,829,301	24,061,129
Non-current accounts receivable	1,168,385	344,562
Common shares issued (Note 6)	4,271,425	1,188,015
Net book value of fixed assets disposals	543,603	132,628
Proceeds from sale of debentures	24,791,379	24,470,633
	55,604,093	50,196,967

Application of Funds:

Additions to fixed assets	12,070,170	10,957,456
Expenditures on departmental improvements	4,809,889	2,410,378
Additional investment in Simpsons-Sears Limited shares	2,803,444	10,247,356
Other investments and advances	2,178,604	5,419,803
Loans to a Trustee under Employees' Stock Purchase Plan (Note 6)	4,091,528	—
Retirement of long term debt	1,881,000	1,597,000
Dividends on common shares	8,970,072	7,292,138
	36,804,707	37,924,131
Increase in working capital	18,799,386	12,272,836
Working capital at beginning of year	115,228,375	102,955,539
Working capital at end of year	\$134,027,761	\$115,228,375

Notes to Consolidated Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of Simpsons, Limited and its subsidiaries, all of which are wholly-owned.

2. Investments:

The investment in Simpsons-Sears Limited, representing 50% of the voting shares and 41.4% of the total outstanding shares of that company, is carried in the Consolidated Balance Sheet at the equity in its net assets and Simpsons, Limited equity in its net earnings is included in the Consolidated Statement of Earnings. The other 50% of the voting shares of Simpsons-Sears Limited is owned by Sears, Roebuck and Co. and the balance of the shares, represented by non-voting Class A shares, is owned by other shareholders. The issue of additional Class A shares by Simpsons-Sears Limited at an amount per share in excess of book value increases Simpsons, Limited equity in Simpsons-Sears Limited. Such increases are credited to retained earnings.

Commencing with the fiscal year ended January 2, 1974 Simpsons, Limited adopted the equity method of accounting for its 25% to 50% ownership interest in various joint venture shopping centre companies. Also commencing with the fiscal year ended January 2, 1974 Simpsons-Sears Limited consolidated the accounts of a partly-owned subsidiary, whose accounts were not previously consolidated, and adopted the equity method of accounting for its investments in associated companies. The effect of these changes, which have been applied retroactively, was to increase net earnings for the fiscal year ended January 2, 1974 by \$418,702 (0.9¢ per share) and net earnings for the fiscal year ended January 3, 1973 by \$679,915 (1.5¢ per share).

3. Accounts Receivable:

	January 2, 1974	January 3, 1973
Customer instalment accounts	\$106,688,260	\$ 98,792,446
Charge and other customer accounts	33,868,133	31,901,135
Miscellaneous accounts	3,151,720	2,139,309
	<u>143,708,113</u>	<u>132,832,890</u>
Less allowance for doubtful accounts	5,580,822	5,190,905
	<u>138,127,291</u>	<u>127,641,985</u>
Non-current accounts receivable	1,394,145	2,562,530
	<u>\$136,733,146</u>	<u>\$125,079,455</u>

In accordance with recognized trade practices, instalment accounts receivable include amounts which will not become due within one year. However, other accounts receivable not expected to be collected within one year, arising from large scale contracts of the Contract Division have been classified as non-current accounts receivable. For the most part the Contract Division is engaged in furnishing and equipping institutional and commercial premises.

4. Other Investments and Advances:

	January 2, 1974	January 3, 1973 (Restated)
Shares in public companies, at cost (quoted market value January 2, 1974—\$10,188,000; January 3, 1973—\$12,394,000)	\$ 6,973,442	\$ 6,973,442
Shares in and advances to joint venture shopping centre companies, at cost plus equity in undistributed earnings (Note 2)	2,653,230	2,877,147
Long term prepaid rent	1,426,803	331,720
Miscellaneous, at cost	2,927,000	1,554,002
	<u>\$ 13,980,475</u>	<u>\$ 11,736,311</u>

On the sale in 1972 of part of the investment in shares of a public company Simpsons, Limited realized a profit of \$1,399,542 after applicable income taxes of \$63,650.

Notes to Consolidated Financial Statements

5. Long Term Debt:

	January 2, 1974	January 3, 1973
Simpsons, Limited Debentures—		
5% Series B due December 1, 1976	\$ 111,000	\$ 120,000
5½% Series C due Sept. 15, 1979.....	82,000	94,000
5¾% Series D due February 1, 1984 ..	9,133,000	9,499,000
5¾% Series E due July 15, 1985	11,659,000	11,875,000
6½% Series F due March 15, 1987	11,379,000	11,907,000
9½% Series G due Dec. 15, 1989.....	15,000,000	15,000,000
8¾% Series H due June 1, 1993.....	25,000,000	—
	<u>72,364,000</u>	<u>48,495,000</u>
Less principal payments due		
within one year	758,000	8,000
	<u>71,606,000</u>	<u>48,487,000</u>

Simpsons Acceptance Company Limited Secured Debentures—

6% Series B due May 15, 1981.....	15,000,000	15,000,000
5½% Series C due June 15, 1982.....	10,000,000	10,000,000
5¾% Series D due April 1, 1984	10,000,000	10,000,000
6¾% Series E due June 15, 1986.....	10,000,000	10,000,000
8¾% Series F due March 15, 1992	10,000,000	10,000,000
8¾% Series G due Dec. 15, 1992	15,000,000	15,000,000
	<u>70,000,000</u>	<u>70,000,000</u>
	<u>\$141,606,000</u>	<u>\$118,487,000</u>

Principal payments required subsequent to January 2, 1974 for the fiscal years shown are as follows:

1974—\$758,000; 1975—\$1,429,000;
1976—\$2,720,000; 1977—\$2,625,000 and
1978—\$3,876,000.

Since January 2, 1974 Simpsons, Limited has issued and sold \$15,000,000 9½% Debentures Series I.

6. Capital Stock:

The authorized and issued common shares have been adjusted for a three-for-one subdivision authorized by supplementary letters patent dated May 16, 1973.

Under the terms of the Employees' Stock Option Plan 782,386 common shares were issued during the fiscal year ended January 2, 1974 for \$4,271,425. The Employees' Stock Option Plan provides that the option price shall be the market price of the shares on the day immediately preceding the date of grant and that the options may not be exercised later than ten years from date of grant.

Outstanding options at January 2, 1974 were as follows:

Date options granted	Option price per share	Officer directors and other officers	Other employees	Total
April 1965	\$4.67	—	22,974	22,974
January 1969	5.54	—	53,297	53,297
February 1971	6.21	25,800	—	25,800
		<u>25,800</u>	<u>76,271</u>	<u>102,071</u>

On January 19, 1973 the Board of Directors authorized a Stock Purchase Plan under which Simpsons, Limited made interest-free loans to a Trustee which in turn made interest-free loans to employees to enable them to purchase shares, and to repay loans arranged subsequent to June 1971 for the purchase of shares, under the Employees' Stock Option Plan. Such loans to employees are repayable on or before January 2, 1979 and are secured by deposit with the Trustee of shares of Simpsons, Limited having a market value at the date the optioned shares were purchased equivalent to 133⅓% of each loan.

7. Commitments and Contingent Liabilities:

- (a) The unfunded obligation for past service on the non-contributory pension plan, estimated by independent actuaries to be approximately \$12,118,000 at January 2, 1974, is to be amortized by annual payments through 1989.
- (b) Annual rentals under long term leases amount to approximately \$3,800,000.
- (c) Simpsons, Limited has guaranteed \$2,500,000 of a note payable by Les Galeries d'Anjou Limitée, a 50% owned shopping centre company. An equal amount of the note payable has been guaranteed by the other 50% owner of the company.
- (d) Simpsons, Limited and Hudson's Bay Company, part owners of Woodbine-Sheppard Shopping Centre Limited, have jointly and severally agreed to meet all payments of interest and principal on its \$17,306,000 principal amount of Bonds. Cemp Investments Ltd., the other part owner of the company, has agreed to make available 50% of all funds which Simpsons, Limited and Hudson's Bay Company may be called upon to provide under their agreements.

8. Capital Expenditures:

Capital expenditures during the fiscal year ending January 8, 1975 are estimated at \$22,000,000 for the completion of construction in progress and other authorized and proposed additions to fixed assets.

9. Remuneration of Directors and Officers:

For the fiscal year ended January 2, 1974 nine directors received an aggregate remuneration of \$58,275; the remaining seven directors, two of whom retired during the year, received no remuneration as directors.

The remuneration of fourteen officers, including three who retired during the year and five who are also directors, amounted to \$1,207,448. The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly distributed to other operating subsidiaries.

Auditors' Report:

To the Shareholders of Simpsons, Limited:

We have examined the consolidated balance sheet of Simpsons, Limited and subsidiary companies as at January 2, 1974 and the consolidated statements of earnings, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 2, 1974 and the results of their operations and the source and application of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the accounting changes described in the second paragraph of Note 2 to the consolidated financial statements.

Toronto, March 8, 1974

Price Waterhouse & Co.
Chartered Accountants

Ten years in review

	1973	1972 ■
OPERATING RESULTS		
Net sales	\$436,044,280	\$392,888,558
Provision for depreciation	4,074,709	3,873,035
Interest charges	11,243,138	8,493,742
Income taxes	10,370,000	10,830,000
Earnings from operations	10,463,750	11,985,041
Dividends from Simpsons-Sears Limited	5,033,684	3,293,052
Equity in undistributed net earnings of Simpsons-Sears Limited	7,510,570	7,829,292
Equity in net earnings of joint venture shopping centre companies	565,560	510,058
Net earnings	23,573,564	23,617,443*
Dividends paid	8,970,072	7,292,138
FINANCIAL POSITION		
Working capital	134,027,761	115,228,375
Land, buildings and equipment (after depreciation)	112,335,798	104,883,940
Total assets	460,248,956	417,582,898
Funded debt	141,606,000	118,487,000
Shareholders' equity	234,304,668	214,392,829
PER COMMON SHARE (adjusted for stock splits)		
Net earnings per share on weighted average number of shares outstanding during the year (in cents)	50.5	51.3*
Dividends paid per share (in cents)	19.2	15.8
RATIOS AND STATISTICS		
Ratio of current assets to current liabilities	2.8-1	2.5-1
Number of shares issued	46,938,619	46,156,233
Number of shareholders	14,546	11,553
Approximate price range per common share	11½-7½	10 ³ / ₈ -7 ¹ / ₂

*Excluding non-recurring profit

†53 weeks

■ Restated (see Notes to Consolidated Financial Statements – Note 2)

1971	1970	1969	1968†	1967	1966	1965	1964
\$335,197,426	\$302,534,874	\$300,579,346	\$276,302,827	\$259,445,891	\$248,021,913	\$231,714,746	\$211,981,806
3,722,581	3,336,265	3,080,689	2,598,643	2,331,353	2,197,697	2,004,442	1,973,130
7,552,715	7,515,379	7,105,648	6,647,231	6,235,835	5,891,653	4,831,385	4,338,856
8,890,000	8,410,000	9,570,000	9,090,000	8,650,000	7,750,000	7,300,000	5,900,000
9,288,739	7,318,657	8,158,120	7,824,962	8,040,599	7,271,018	6,807,092	5,421,817
3,168,000	3,168,000	3,036,000	2,574,000	2,088,000	1,800,000	1,800,000	1,600,000
4,774,230	1,992,552	3,474,896	3,635,589	3,456,740	2,657,900	2,102,660	2,107,731
17,230,969	12,479,209	14,669,016*	14,034,551*	13,585,339*	11,728,918	10,709,752	9,129,548
6,106,444	6,095,074	6,041,175	4,801,508	4,470,574	4,272,045	3,794,394	3,361,151
102,955,539	104,989,549	111,647,548	93,981,738	94,278,665	84,843,014	79,419,633	75,310,330
97,932,147	97,030,741	89,363,924	86,744,541	80,045,635	71,872,767	66,846,423	61,454,123
357,049,287	335,799,978	323,483,636	310,751,139	285,855,277	266,027,886	245,977,150	219,131,161
95,084,000	102,496,000	105,455,700	94,108,000	95,874,000	82,595,000	81,785,000	71,920,000
191,833,598	179,101,909	171,325,548	159,230,244	145,529,756	133,728,292	117,370,001	108,654,860
37.6	27.3	32.4*	31.2*	30.4*	27.7	25.7	22.1
13.3	13.3	13.3	10.7	10.0	10.0	9.1	8.1
2.7-1	3.3-1	3.8-1	2.8-1	3.3-1	2.8-1	2.8-1	3.1-1
45,931,119	45,726,450	45,679,458	45,082,728	44,949,012	44,605,230	42,017,802	41,482,620
10,995	10,887	10,426	8,829	8,862	9,027	8,357	7,529
7 ¹ / ₂ -5 ⁷ / ₈	7 ¹ / ₈ -4 ¹ / ₂	7 ³ / ₄ -5 ¹ / ₂	6 ³ / ₄ -5	6-4 ¹ / ₄	5 ¹ / ₄ -4 ¹ / ₄	5 ¹ / ₈ -4 ¹ / ₄	4 ⁷ / ₈ -3 ¹ / ₈

Simpsons Growth



1



5



2



4

1. Fine Home Furnishings abound in every Simpsons Store. A view of the Lamp Shop in Simpsons Hillcrest Mall.

2. Simpsons Hillcrest Mall — opening in August, 1974, in Richmond Hill, the Company's 17th Store, 8th in the Toronto Area.

3. Simpsons Windsor — The Company's 18th Store, opening September, 1974.

4. Men's Furnishing Shop, on the Mall level in Windsor, an expression of Simpsons traditional strength in men's fashions.

5. Simpsons Le Carrefour Laval—the company's 16th Store, 4th in the Montreal Area, opening March 28, 1974.





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6. Women's Better Fashions, a dramatic feature of Simpsons Le Carrefour Laval.

7. Simpsons Micmac — Store number 15 and the second in the Halifax-Dartmouth Area, opened October 31, 1973.

8. The Girls' Shop, one of many exciting shops in Simpsons Micmac.

9. Sporting Goods Shop, a highlight of Simpsons Scarborough.

10. Simpsons Scarborough Town Centre opened in May, 1973, the Company's 14th Store, 7th in the Toronto Area.

Highlights

	1973	1972 (Restated)*
Net sales	\$1,073,467,000	\$894,066,000
Net earnings	30,275,000	26,659,000
Per share	.45	.41
Dividends declared	13,516,000	7,991,000
Per share	.20	.12
Shareholders' equity (book value end of year)	248,043,000	220,379,000
Per share	3.67	3.31
Municipal realty and business taxes	9,334,000	8,545,000
Federal and provincial income taxes	27,974,000	23,868,000
Provision for depreciation	14,876,000	12,618,000
Contributions to Simpsons-Sears Profit Sharing Retirement Fund and Canada and Quebec pension plans	6,349,000	5,550,000
Expenditures for fixed assets	35,996,000	34,598,000

Earnings per share are based on weighted average number of shares outstanding during the year.

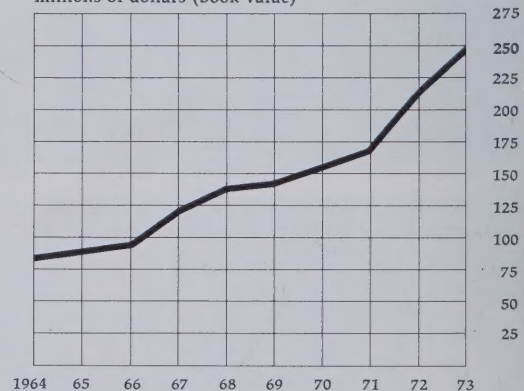
Sales
millions of dollars



Earnings
millions of dollars



Shareholders' Equity
millions of dollars (book value)



*Restated to include partly owned subsidiary and equity in earnings of associated companies.

Simpsons Department Stores (19)

Toronto Area

Downtown
Yorkdale
Cedarbrae
Fairview
Sherway
Shoppers' World-Brampton
Scarborough
Hillcrest-Richmond Hill
opening in August 1974

Halifax Area

Chebucto Road
Micmac-Dartmouth

Regina

Downtown

Montreal Area

Downtown
Fairview-Pointe Claire
Les Galeries d'Anjou
Le Carrefour Laval
St. Bruno
opening in 1975

London

Downtown

Ottawa

Downtown

Windsor

Devonshire
opening in September 1974

Simpsons-Sears Retail Stores (53)

Barrie, Ontario
Belleville, Ontario
Burlington, Ontario
Burnaby, British Columbia
Calgary, Alberta (2)
Chicoutimi, Quebec
Dundas, Ontario
Edmonton, Alberta (3)
Fredericton, New Brunswick
Guelph, Ontario
Hamilton, Ontario
Hull, Quebec
Kamloops, British Columbia
Kelowna, British Columbia
Kingston, Ontario
Kitchener, Ontario
Lethbridge, Alberta
Mississauga, Ontario
Moncton, New Brunswick
Moose Jaw, Saskatchewan
Nanaimo, British Columbia

Oshawa, Ontario
Ottawa, Ontario (2)
Peterborough, Ontario
Prince Albert, Saskatchewan
Quebec City, Quebec (2)
Richmond, British Columbia
Saint John, New Brunswick
Sarnia, Ontario
Saskatoon, Saskatchewan
Sault Ste. Marie, Ontario
Sherbrooke, Quebec
St. Catharines, Ontario
St. John's, Newfoundland
Surrey, British Columbia
Thunder Bay, Ontario
Trois Rivières, Quebec
Victoria, British Columbia
Windsor, Ontario
Winnipeg, Manitoba (2)

Seven new stores will be opened in 1974

One hundred and one
years of serving
Canadians

Sim